

RatingsDirect®

Summary:

Kittery, Maine; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

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Credit Profile		
Kittery GO		
Long Term Rating	AA+/Stable	Upgraded
Kittery GO		
Unenhanced Rating	AA+(SPUR)/Stable	Upgraded
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services raised its rating on Kittery, Maine's general obligation (GO) debt by one notch to 'AA+' from 'AA', based on its local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the town's full faith credit and credit secures the bonds.

The rating reflects our assessment of the following factors for the town:

- We consider Kittery's economy adequate, with its projected per capita effective buying income at 117% of the U.S. and per capita market value of \$155,838. The town also participates in the broad and diverse economy of the Portland metropolitan area. The unemployment rate for York County was 6.6% in calendar 2012.
- The town's budgetary flexibility is adequate. Audited fiscal 2013 reserves were \$4.1 million, or 16% of expenditures. Management expects little change in fiscal 2014 reserves.
- Kittery's budgetary performance has been strong, in our view, with a surplus in the general fund in fiscal 2013 of \$286,000, or 1.1% of expenditures. Across all funds, the town also realized a surplus, after adjusting for capital spent from bond proceeds. For fiscal 2014, the town anticipates balanced operating results.
- Supporting the town's finances is liquidity we consider very strong, with total government available cash at 18% of total governmental fund expenditures and roughly 7x debt service. Moreover, based on past debt issuance, we believe the town has strong access to capital markets to provide for liquidity needs, if necessary.
- We view the town's management conditions as strong with good financial practices.
- In our opinion, Kittery's debt and contingent liability profile is strong. The town maintains roughly \$26.9 million of total direct debt. Of that amount, we calculate that roughly \$2.4 million is tax-secured enterprise debt with partial self-support. Total governmental fund debt service is 2.4% of total governmental fund expenditures, and net direct debt is 85% of total governmental fund revenue. Further bolstering our view of the town's debt profile is that overall net debt is a low 1.7% of total governmental fund revenue, and that principal amortization is aggressive at 64% over 10 years.
- An additional long-term credit consideration is the town's long-term pension and other postemployment benefit (OPEB) liabilities, which were manageable. Currently pension and OPEB costs amount to 2% of expenditures.
- We consider the Institutional Framework score for Maine cities and towns strong.

Outlook

The stable outlook reflects our view of Kittery's focus on maintaining strong operating flexibility. We believe an improved economic outlook and consistent operating profile will result in balanced operations. Strong management conditions are also a stabilizing rating factor. For these reasons, we do not expect to change the rating within the two-year outlook horizon.

Related Criteria And Research

Related Criteria

USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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